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SUBJECT: TEC: GERMAN CHANCELLERY WORRIED ABOUT LOST MOMENTUM

REF: A. BERLIN 1328

[1](#)B. BERLIN 1254

[1](#)C. MEMCON: AMBASSADOR TIMKEN'S MAY 31 MEETING WITH
BDI'S MANAGING DIRECTOR

Classified By: Minister-Counselor of Economics Robert A. Pollard for re
asons 1.4 (b) and (d).

[1](#)1. (C) SUMMARY: Chancellor Merkel's chief economic adviser is
concerned that work on the Transatlantic Economic Council
program has slowed since Portugal took over the EU
Presidency. Other German government and industry
representatives report progress on the TEC's work program and
structure although they see problems ahead on U.S. secure
trade requirements. Germany will seek to closely monitor and
guide the TEC through the EU Troika. End summary.

MAINTAINING MOMENTUM: The Chancellery's Concerns

[1](#)2. (C) Jens Weidmann, Chancellor Merkel's chief economic
adviser, told EMIN on September 28 that he was frustrated
with Portugal's lack of engagement on TEC issues, and feared
the initiative was losing momentum. Although action on the
TEC naturally belonged to the Commission, and communication
between Hubbard and Verheugen appeared to be intense and
productive, he feared implementation of TEC priorities could
become lost in the Brussels bureaucracy. Progress on
standards was key, he told us, emphasizing that Chancellor
Merkel herself was keenly interested in this area as it could
have an enormous impact on business. Yet more than dollars
and cents were involved, he told us. Mutual recognition and
adoption of common standards could help Europe and America
meet growing "globalization challenges" (read: Chinese
competition in the world marketplace). To help ensure
Germany's views are heard, Weidmann plans to attend the TEC's
November 9 meeting in Washington, D.C.

SUNNIER VIEW FROM ECONOMICS MINISTRY AND BUSINESS

[1](#)3. (C) Officials at the Ministry of Economics, the lead
agency for TEC within the government, and representatives of
the German Federation of Industries (BDI) agreed that
Portugal's European Union Presidency has not prioritized TEC

as Germany did. Adrian Bothe, the Head of External Economic Policy/North America at the Ministry of Economics, regarded Slovenia, the next in line for the Presidency, as more promising (i.e. free-market oriented), but inexperienced. That's why it was so advantageous, in the view of the Economics Ministry, that the Commission was in charge of the TEC work program. On the whole, the Ministry was not unhappy with progress on the TEC to date. (The Ministry also said it works effectively through COTRA to make its views known in Brussels.)

14. (C) German business also appears satisfied with how things are going. Sigrid Zirbel, BDI's Regional Director for North and Latin America, said the strong commitment from political leaders, the high-level engagement by Al Hubbard and Commissioner Guenther Verheugen in the TEC structure, and the increased accountability and clear deadlines associated with these two parties all set TEC's work apart from past U.S.-EU economic cooperation initiatives. BDI President Juergen Thumann will be the next co-chair of the Transatlantic Business Dialogue (TABD) and will continue promoting BDI's primary interest in horizontal and key sectoral issues. BDI believes its enlarged role in TABD will ensure it remains strongly engaged in TEC.

AREAS OF CONCERN

15. (C) Delivery for November 9: The Ministry of Economics stated the German business community will not be satisfied with anything less than tangible deliverables. The Ministry shared USG concerns that TEC would suffer if it became a forum for complaints over policy differences. The key is to

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focus on underlying areas of cooperation as identified by the lighthouse projects in the Framework Agreement.

16. (C) Financial Reporting Standards: Weidmann was upset that the deadline for mutual recognition of accounting standards -- regarded as a potential early milestone for TEC at the June 28 kickoff (Ref A) -- had slipped. BDI itself did not foresee any big stumbling blocks, maintaining that differences between the EU and U.S. versions were minor. BDI said EU Member States have amended International Financial Reporting Standards (IFRS) on the margins because EU-wide adoption of a single set of comprehensive standards would require the EU Parliament's approval.

17. (C) Secure Trade: German interlocutors repeatedly indicated that the EU will raise the 9/11 Act's 100 percent scanning requirement at TEC's November 9 meeting. BDI said it is dissatisfied with developments to date. BDI's representative said, "This is not the kind of cooperation we understood. This is a step backward in our view." BDI said industry faces too much uncertainty surrounding implementation dates and methods to commit to the significant investments required to comply with the requirement. BDI's representative asked if the requirement would be immediately enforced in the event of a terrorist incident involving a shipping container. TABD and BDI are organizing a supply chain security conference to be held October 31 in Washington, D.C.

18. (C) Regulatory concerns: Bothe noted European regulatory agencies' history of "giving up regulatory sovereignty" through EU compromises. He also argued that governments must act as referees or watchdogs to ensure that no economic sector uses TEC to push through one-sided regulatory changes. Economics Ministry officials asked whether regulatory cooperation within NAFTA had implications for TEC and German companies operating within North America.

19. (C) Role of Congress: The Economics Ministry suggested that Congress has significantly more power in the regulatory

arena than their European counterparts, as Congress sets budgets and establishes headcounts to pursue specific regulatory goals. The Ministry and BDI both inquired about the level of Congressional support for TEC and indicated they believe such involvement is necessary for the effort to succeed.

¶10. (C) Comment: German interlocutors may differ on how well the TEC is progressing, but in the end, it will all depend on whether the November 9 meeting succeeds in delivering concrete, short-term results. With Merkel's name and prestige on the line, we expect Berlin to weigh in if difficulties arise.

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